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LATHAM & WATKINS LLP
John P. Flynn (Bar No. 141094)
Tracey L. Orick (Bar No. 240904)
505 Montgomery Street, Suite 2000
San Francisco, California 94111-2562
Telephone: (415) 391-0600
Facsimile: (415) 395-8095
John.Flynn@lw.com
Tracey.Orick@lw.com

Attorneys for Defendant
RAE SYSTEMS INC.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

POLIMASTER LTD., NA&SE TRADING
CO., LTD.,

Plaintiffs,

v.

RAE SYSTEMS INC.

Defendant.

CASE NO. C 05-01887- JF HRL

**JOINT FURTHER CASE MANAGEMENT
STATEMENT**

The parties to this dispute recognize that the underlying claims set forth in Counts I-III of Plaintiffs' Complaint are subject to arbitration pursuant to the terms and conditions of arbitration clauses contained in the disputed contractual agreements between the parties.

Following Plaintiffs' initiation of an arbitration pursuant to the parties' contractual agreement, an arbitration was held from March 5-9 and 12-16, 2007. A decision is expected by mid-July.

Plaintiffs' and Defendant's counsel both respectfully request permission to attend the status conference via telephone.

1 Dated: June 28, 2007

Respectfully submitted,

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4 By /s/

John P. Flynn
Attorneys for Defendant
RAE SYSTEMS INC.

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8 By /s/

Kevin Garden
Attorneys for Plaintiffs
POLIMASTER LTD. and
NA&SE TRADING CO., LTD.

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12 The Case Management Conference is continued until July 20, 2007 at 10:30 AM.

13 SF\615923.1 IT IS SO ORDERED. 7/3/07

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Judge Jeremy Fogel, US District Court